

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

**TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**1. TRANSMITTAL NUMBER:**  
03-02

**2. STATE**  
Nevada

**3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)**

**4. PROPOSED EFFECTIVE DATE**  
October 1, 2003

**5. TYPE OF PLAN MATERIAL (Check One):**

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

**COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)**

**6. FEDERAL STATUTE/REGULATION CITATION:**  
State Plan Under Title XIX of the Social Security Act;  
42 CFR 440

**7. FEDERAL BUDGET IMPACT:**

a. FFY 2004 \$0  
b. FFY 2005 \$0

**8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:**

Attachment 4-19A: Pages 1-22.

PAGES 1-9

PAGES 13-15

PAGES 21-31

**9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):**

Attachment 4-19A: Pages 1-9.

**10. SUBJECT OF AMENDMENT:**  
Hospital Inpatient Rate Conversion.

**11. GOVERNOR'S REVIEW (Check One):**

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

**12. SIGNATURE OF STATE AGENCY OFFICIAL:**

**13. TYPED NAME:**

Michael J. Willden

**14. TITLE:**

Director, DHR

**15. DATE SUBMITTED:**

**16. RETURN TO:**

John A. Liveratti, Chief  
Compliance, DHCFP  
1100 East William Street, Suite 102  
Carson City, Nevada 89701

**FOR REGIONAL OFFICE USE ONLY**

**17. DATE RECEIVED:**  
OCT 15 2003

**18. DATE APPROVED:**  
JUN 30 2004

**PLAN APPROVED - ONE COPY ATTACHED**

**19. EFFECTIVE DATE OF APPROVED MATERIAL:**  
OCT - 1 2003

**20. SIGNATURE OF REGIONAL OFFICIAL:**

**21. TYPED NAME:**  
Charlene Brown

**22. TITLE:**  
Deputy Director CMSO

**23. REMARKS:**

Pen ink Change to block # 8

# STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

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Attachment 4.19-A

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## PAYMENT FOR INPATIENT HOSPITAL SERVICES METHODS AND STANDARDS

### I. HOSPITALS UNDER PROSPECTIVE RATES

Types of rates: Inpatient hospital services, which have been authorized for payment at the acute level by a quality improvement organization (QIO-like vendor), as specified in the contract between the QIO-like vendor and Nevada Medicaid, are reimbursed by all-inclusive, prospective per diem rates by type of admission. All-inclusive per diem rates are developed for Maternity, Newborn, Neonatal, Rehabilitative/Specialty Hospital, Level I Trauma, Medical/Surgical, and Psychiatric/Substance Abuse Treatment admissions, as described in Sections II, III, and IV. Administrative day rate development is covered in Section V. Critical Access Hospitals under Medicare retrospective cost reimbursement are described in Section VII.

### II. PROSPECTIVE RATE DEVELOPMENT (Prior to October 1, 2003)

The primary goals of the inpatient hospital rate methodology are: Rates should be based on actual, reasonable, and allowable hospital costs, and the rate development method should comply with federal requirements. The prospective rates are inclusive of all ancillary services required by patients.

#### A. Basic data sources for tier rate development.

1. The most recently filed Hospital Health Care Complex Cost Report (HCFA 2552) was the basis for identifying allowable cost. Routine cost limits were not applied.
2. Paid claims and billing information were taken from the Nevada database for Medicaid claim payment history report for services provided during the period covered by the HCFA 2552.

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B. Adjustments made to determine allowable cost.

The following adjustments were made to each individual hospital's cost report:

1. An audit adjustment was applied to the total Medicaid cost for each hospital. The adjustment was determined by using an average for each hospital of the audit adjustment percentages for the three most recent years available. Adjustments for two years were used if three were not available.
2. Since the hospitals' cost report periods vary, all cost data was indexed to the same period, using the Medicare inflation factor for non-prospective payment system (non-PPS) hospitals.

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III. Conversion of Existing Tier Rates to Per Diem Rates as of September 1, 2003

The current hospital inpatient tier rates for Medical/Surgical, Maternity, and Newborn inpatient categories are in effect for Medicaid payments made through August 31, 2003.

In order to convert to a MMIS system on September 1, 2003, hospital reimbursement tier rates will be converted to per diem rates. The Maternity and Newborn service categories will be retained. The service category Medical/Surgical will be converted to Level I Trauma and Medical/Surgical categories.

These new per diem rates will be effective for claims paid on or after September 1, 2003, until the rates are rebased as directed by the Department of Human Resources.

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A. Maternity Rate Conversion

An all-inclusive per diem rate is paid for obstetrical hospital admissions. The rate also covers related admissions such as false labor, undelivered OB, and miscarriages.

Historical Medicaid data for the Calendar Year (CY) ended December 31, 2002, has been extracted showing Medicaid Maternity admissions and Maternity patient days by tier. Projected Maternity payments for each tier are calculated as CY2002 Maternity admissions per tier times the current tier rate. Total projected Maternity payments are the sum of all projected tier payments.

The conversion per diem rate for Maternity has been determined by the following formula:

$$\frac{\text{Total Projected Maternity Payments}}{\text{CY2002 Historical Maternity Patient Days}} = \text{Maternity Per Diem Rate}$$

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B. Newborn Rate Calculation

An all-inclusive per diem rate will be developed for newborns admitted through routine delivery at a hospital.

Historical Medicaid data for the Calendar Year (CY) ended December 31, 2002, has been extracted showing Medicaid Newborn admissions and Newborn patient days by tier. Projected Newborn payments for each tier are calculated as CY2002 Newborn admissions per tier times the current tier rate. Total projected Newborn payments are the sum of all projected tier payments.

The conversion per diem rate for Newborn has been determined by the following formula:

$$\frac{\text{Total Projected Newborn Payments}}{\text{CY2002 Historical Newborn Patient Days}} = \text{Newborn Per Diem Rate}$$

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C. Neonatal Intensive Care Rate Calculation

A separate rate is used for patients admitted to Level III Neonatal Intensive Care Units.

The current rate was developed from historical costs pursuant to Section II, Prospective Rate Development. The calculated cost per day of each neonatal unit was arrayed from highest to lowest. The prospective per diem rate was then calculated at the 55th percentile and indexed.

The current rate will continue until rebased as directed by the Department of Human Resources.

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D. Rehabilitative and Specialty Hospital Rate Calculation

A few Nevada hospitals are licensed to provide acute care in single diagnostic category. Rehabilitative and specialty hospital patients generally have hospital stays of ninety or more days. The length of stay does not significantly influence the cost per day.

To the extent these hospitals participate in Medicaid, they are reimbursed under Medicare's retrospective cost reimbursement, as follows:

- 1). Inpatient hospital services which have been certified for payment at the acute level by a QIO-like vendor, as specified in the contract between the QIO-like vendor and Nevada Medicaid, upon final settlement are reimbursed allowable costs under hospital-specific retrospective Medicare principles of reimbursement in accordance with 42 CFR Part 413.30 and 413.40, Subpart C, and further described in CMS Publications 15-I and 15-II for all payments made prior to September 1, 2003.
- 2) On an interim basis, each hospital is paid a facility specific rate per day.

For payments made on or after September 1, 2003, these facility specific rates will be used as prospective rates for each facility until rates are rebased as directed by the Department of Human Resources. There will be no cost settlement to these facilities for any payments made on or after September 1, 2003.

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E. Medical/Surgical Rate Development

The current tier rate will be paid for Medical/Surgical payments made on or prior to August 31, 2003. Beginning September 1, 2003, an all-inclusive per diem rate will be paid for general hospital admission, not meeting the criteria of patients described in Parts B. - D. and F. of this Section or Section IV.

Historical Medicaid data for the Calendar Year (CY) ended December 31, 2002, has been extracted showing Medicaid Medical/Surgical admissions and Medical/Surgical patient days by tier. Projected Medical/Surgical payments for each tier are calculated as CY2002 Medical/Surgical admissions per tier times the current tier rate. Total projected Medical/Surgical payments are the sum of all projected tier payments.

The conversion per diem rate for the Medical/Surgical category has been determined by the following formula:

$$\frac{\text{Total Projected Medical/Surgical Payments}}{\text{CY2002 Historical Medical/Surgical Patient Days}} = \text{Medical/Surgical Per Diem Rate}$$

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F. Level I Trauma Centers

Nevada Medicaid will pay an enhanced rate for full trauma team cases at Level I Trauma Centers. For payments made on or before August 31, 2003, the enhanced trauma rate is 1.63 times the Medical/Surgical tier rate. For services paid September 1, 2003, and after the enhanced trauma rate is 1.63 times the Medical/Surgical per diem rate described in Part E. of this Section.

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IV. PSYCHIATRIC/SUBSTANCE ABUSE TREATMENT RATE DEVELOPMENT

Psychiatric/substance abuse treatment admissions can vary from short stays to several weeks. The length of stay does not significantly impact the cost per day. Therefore, a per diem rate is a more appropriate method to pay acute care hospitals providing this type of service.

Psychiatric/substance abuse treatment costs for each hospital are divided by the number of psychiatric/substance abuse treatment days to determine a cost per day. The Medicaid related costs of freestanding psychiatric hospitals are determined using the steps in Section II, Parts A and B, then dividing their Medicaid costs by their total Medicaid days to determine the cost per day. The calculated cost per day of each general acute care hospital and freestanding psychiatric hospital is arrayed from highest to lowest. The prospective per diem rate is then calculated at the 55<sup>th</sup> percentile and indexed in accordance with Section II, Part E of this plan.

These rates do not apply to facilities accredited as Residential Treatment Centers by the Joint Commission on Accreditation of Health Organizations (JCAHO).

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V. ADMINISTRATIVE DAY RATE DEVELOPMENT

For those patients who remain in an acute care hospital awaiting admittance to a long-term care facility, an administrative day rate is used. Services so reimbursed are call "administrative days."

The administrative rate is calculated each year. It is based on the most recent statewide weighted average payment rate for skilled and intermediate levels of care plus a 100% factor. Under certain circumstances, up to an additional 300% is added for a patient with exceptional or abnormal needs; for example, patients in need of isolation, ventilation dependency, or total parental nutrition. The administrative rate, plus the maximum 300% factor, is lower than the hospital rate as described in Part I of the State Plan.

VI. RESIDENTIAL TREATMENT CENTERS

Nevada Medicaid will only pay for stays in facilities accredited by the Joint Commission on Accreditation Health Organizations (JCAHO) as Residential Treatment Centers (RTCs). All stays must be pre-approved by the QIO-like vendor. These services will be reimbursed at the lowest rate acceptable to both parties. In establishing the lowest rate acceptable to both parties, Nevada Medicaid reviews cost information filed by the RTC, amounts paid by other insurers, and national literature on costs for RTCs. Each facility will have a negotiated rate established for each general level of service. If a placement is being proposed which is different from the general level of care offered by the facility, a rate will be negotiated after considering the average cost per day of the facility and the additional will be reviewed based upon cost information received on or prior July 1 of the year of review. The rate cannot exceed the reasonable and customary charges of the facility for similar services.

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